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FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

Hurricane Katrina firmly holds rank amongst the most catastrophic natural disasters in U.S history. The category 4 hurricane made landfall in southeast Louisiana on August 29th, 2005 bringing with it a 28-foot storm surge and winds over 135mph¹. After pounding the region for over 48-hours, the destruction left in the wake of the storm was monumental. Katrina tragically claimed lives, dislocated hundreds of thousands of residents for months at a time, inflicted an estimated \$125B in total damages², and left the global supply chain in disarray. Eerily, 16 years to the day later, we found ourselves facing a similar beast as Hurricane Ida made its way through Louisiana this past Sunday.

Ida made landfall as a category 4 hurricane with record-tying winds of 150mph and 12 feet of storm surge³. Winds from the storm were so strong that many of the region's rivers, including the Mississippi, began to flow in reverse, placing immense pressure on already stressed levee systems. As Ida began to slowly weaken and shift towards the northeast, an assessment of the damages was underway. Early reports are showing that the devastation is not as vast as Katrina, but is still significant. Entire towns along the coastline are completely flooded, homes and buildings destroyed, and over 1 million customers are still without power. Entergy estimates it could take weeks before power is fully restored to the region. As the focus begins to shift towards rebuilding, there is a growing concern around how the struggling global supply chain will lend itself to the situation. Inventory shortages, shipping delays, high prices, and a weak labor market could have a severe impact on both the pace and cost of getting the region back up and running. While the U.S economy has made great strides in recent quarters, we are still short of where we likely would have been had COVID not reared its ugly head. Hurricane Ida's impact has the potential to hamper our continued recovery.

If we are able to glean one positive note from the reports out of Louisiana; it appears the offshore oil rigs and refineries scattered throughout the gulf region were able to avoid massive damages as Ida rolled over them. Some of them are already partially or fully back up and running after cutting off production in advance of the hurricane. Louisiana alone accounts for over 20% of U.S refining capacity producing nearly 3 million barrels of crude

¹ NOAA

² NOAA

³ NOAA

oil per day⁴. If massive production losses can be avoided we are unlikely to experience a surge in prices at the pump, a stark difference from Katrina when gasoline prices jumped 45 cents in just 5 days⁵.

Assessing the damage and beginning the rebuild process will certainly take time, and is something we will monitor closely. Right now our thoughts remain with everyone impacted by the storm. Please continue to stay safe, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

With My Best Regards,

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⁴ United States Energy Information Administration

⁵ NBC

